

## Message Text

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ACTION EB-11

INFO OCT-01 ISO-00 IO-14 AGR-20 CEA-02 CIAE-00 COME-00

DODE-00 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00

NSC-10 PA-04 RSC-01 AID-20 CIEP-02 SS-20 STR-08

TAR-02 TRSE-00 USIA-15 PRS-01 SPC-03 OMB-01 AF-10

ARA-16 EA-11 EUR-25 NEA-10 OPIC-12 DRC-01 /252 W

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R 211548Z DEC 73

FM USMISSION GENEVA

TO SECSTATE WASHDC 3102

INFO AMEMBASSY REYKJAVIK

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EO 11652: NA

TAGS: GATT, ETRD

SUBJECT: ICELAND IMPORT RESTRICTIONS

REF: GENEVA 6366

1. ICELAND PERMREP BENEDIKTSSON CALLED AT MISSION YESTERDAY TO DISCUSS ICELAND IMPORT RESTRICTIONS. BENEDIKTSSON SAID IMF TEAM MENTIONED REFTTEL HAS COMPLETED SURVEY IN ICELAND AND IT IS VIRTUALLY CERTAIN TEAM WILL RECOMMEND AND IMF EXECUTIVE BOARD WILL DETERMINE (PROBABLY IN FEBRUARY) THAT ICELAND'S IMPORT RESTRICTIONS NO LONGER WARRANTED ON BALANCE-OF-PAYMENTS GROUNDS. THIS WILL AUTOMATICALLY, VIA GATT ARTICLE XV:2, LEAD TO DIS-INVOCATION GATT ARTICLE XII COVER. ICELAND'S RESTRICTIONS (BOP/140, 14 NOVEMBER, 1973) WILL THEN BE WITHOUT GATT JUSTIFICATION.

2. BENEDIKTSSON REITERATED THAT ALL QUOTAS ON INDUSTRIAL ITEMS EXCEPT OIL ARE SCHEDULED FOR REMOVAL BY JANUARY 1, 1975. OIL QUOTA TO REMAIN BECAUSE OF BILATERAL AGREEMENT WITH SOVIET

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UNION, WHICH SUPPLIES ICELAND'S NEEDS. HE SAID QUOTAS ON

AGRICULTURAL ITEMS WILL NOT BE REMOVED (EXCEPT CONFECTIONERY, WHICH THEY CONSIDER INDUSTRIAL) AS SUCH ACTION WOULD KILL AGRICULTURE IN ICELAND, MAKE COUNTRY ENTIRELY DEPENDENT ON IMPORTED FOOD, AND WOULD BE "POLITICAL SUICIDE" FOR ANY ICELAND GOVERNMENT. HE CITED DEEP PSYCHOLOGICAL DEPENDENCE ON ASSURED FOOD SUPPLY AND FACT THAT QUOTAS HAVE ALWAYS BEEN IN EFFECT SINCE ACCESSION TO GATT IN 1968: HE ASSUMED U.S. WOULD APPRECIATE CONSEQUENCES OF ALIENATING POLITICALLY CONSERVATIVE FARMERS.

3. HOLDING NO ILLUSIONS ABOUT U.S. POSTURE TOWARD RESIDUAL RESTRICTIONS, BENEDIKTSSON WONDERED WHETHER WE WOULD BE CONTENT WITH ROUTINE COUNCIL "LECTURE" ON NEED REGULARIZE RESTRICTIONS. HE CONTRASTED SITUATION IN ICELAND, WHERE OVER 93 PERCENT OF IMPORTS WILL SOON BE FREE OF QUOTAS AND MOST OF REMAINDER WILL BE IN PETROLEUM, WITH NEW ZEALAND, WHICH APPLIES QRS ON ONE FOURTH OF IMPORTS WITHOUT GATT LEGAL COVER.

4. RESPONDING THAT WE COULD NOT PREDICT AT THIS STAGE WHAT POSITION U.S. WOULD TAKE, MISSION EMIN EMPHASIZED NEED TO REGULARIZE THOSE RESTRICTIONS WHICH WILL REMAIN AND SAID OF COURSE OUR FIRST PREFERENCE IS MAXIMUM REMOVAL. MILLER SAID HE WOULD INQUIRE ABOUT WASHINGTON REACTION TO POSSIBLE GATT WAIVER ON GROUNDS OF SPECIAL CIRCUMSTANCES.

5. COMMENTS: IT DIFFICULT TO JUDGE FROM HERE EXTENT TO WHICH UNIQUE ICELAND GEOGRAPHY'S IMPACT ON ASSURED DOMESTIC FOOD SUPPLY DOES INDEED MAKE QUOTA REMOVAL IMPRACTICAL. BENEDIKTSSON, IN DISCUSSION OF ALTERNATE POSSIBILITIES, SAID ICELAND HAS NO BOUND TARIFFS ON AGRICULTURAL ITEMS BUT IS NOT INCLINED VIEW INCREASED TARIFFS AS REPLACEMENT FOR QRS. HE ALSO THINKS ICELAND HAS NO ARTICLE XI:2C BASIS FOR RESTRICTIONS.

6. ACTION REQUESTED: WOULD APPRECIATE GUIDANCE AS TO WHAT WE MIGHT TELL ICELAND PERMREP RE U.S. ATTITUDE TOWARD WAIVER OR ANY OTHER SUGGESTION REGARDING REMAINING QRS. BASSIN

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